

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 INT-05 GSA-01 /107 W

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R 271200Z MAY 75

FM AMEMBASSY BUJUMBURA

TO SECSTATE WASHDC 4817

INFO AMEMBASSY BUCHAREST

AMEMBASSY DAR ES SALAAM

AMCONSUL JOHANNESBURG

AMEMBASSY KIGALI UNN

AMEMBASSY KINSHASA

AMCONSUL LUBUMBASHI

AMEMBASSY NAIROBI

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS:EMIN, EINV, BY, US

SUBJECT: FIRST MEETING SET FOR PROPOSED NICKEL CONSORTIUM

REF BUJUMBURA 0322

ALBERT AUCLAIR, TEMPELSMAN'S LUBUMBASHI REPRESENTATIVE, DURING VISIT TO BUJUMBURA MAY 22 TO 24, OBTAINED BURUNDI GOVERNMENT AGREEMENT TO FIRST MEETING OF PROPOSED CONSORTIUM IN BUJUMBURA JUNE 21 AND 22.

HE EXPECTS AMERICAN, CANADIAN, AND POSSIBLY GERMAN AND ITALIAN COMPANIES TO BE REPRESENTED, AS WELL AS JOINT BURUNDI-ROMANIAN FIRM SOMIBURO.

ALTHOUGH TEMPELSMAN WOULD HAVE PREFERRED SLIGHT FURTHER DELAY, SINCE SOME WOULD-BE PARTNERS ARE STILL WAVERING, BURUNDI OFFICIALS

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WERE VERY IMPATIENT. NO AGENDA HAS BEEN SET, BUT AUCLAIR ANTI

CIPATES GENERAL REVIEW OF CURRENTLY AVAILABLE DATA ON PROJECT AND OF STUDIES TO BE REQUIRED. HE ALSO THOUGHT THERE MIGHT BE DISCUSSION OF EVENTUAL CONTRACTUAL TERMS, BUT SAID THIS WOULD BE HARD BATTLE, BECAUSE BURUNDI HAD ALREADY DEMANDED 51 PERCENT SHARE, WHICH, IF GRANTED, WOULD MAKE SCHEME TOTALLY INPROFITABLE FOR PRIVATE INVESTORS. I SUGGESTED THAT TEMPELSMAN STAFF USE WEEKS BEFORE MEETING TO REVIEW VARIOUS INVESTMENT FRAMEWORKS WHICH HAD BEEN WORKED OUT BY JAPANESE, AMERICAN, AND OTHER FOREIGN DEVELOPERS OF SUBSURFACE RESOURCES IN SOME THIRD WORLD COUNTRIES TO AVOID PSYCHOLOGICALLY TROUBLESOME ISSUE OF "OWNERSHIP", WHILE STILL MEETING FINANCIAL AND MANAGEMENT REQUIREMENTS OF INVESTORS.

AUCLAIR NOTED THAT, UNDER PRESENT BUSINESS AND CAPITAL MARKET CONDITIONS IT WAS TERRIBLY DIFFICULT TO GET FIRM COMMITMENTS FROM LARGE BANKS AND CORPORATIONS, ESPECIALLY FOR HALF-BILLION DOLLAR PROJECT IN LANDLOCKED BURUNDI, WHICH WOULD AMOUNT TO ONE OF LARGEST PRIVATE ENTERPRISE EFFORTS IN THIRD WORLD. HE BELIEVED HIS SESSIONS WITH FINANCE MINISTER, PLANNING CHIEF, AND HEAD OF CENTRAL BANK HAD IMPROVED THEIR REALISM ABOUT MAGNITUDE OF JOB HERE AND ABOUT LONG LEAD TIME WHICH THEY CANNOT AVOID. IN EXPLAINING TEMPELSMAN'S PERSISTENCE, AUCLAIR SAID TEMPELSMAN WAS LOOKING AHEAD FIVE TO TEN YEARS, WHEN WORLD ECONOMY MIGHT AGAIN BE BOOMING, WHEN RAW MATERIAL SHORTAGES MIGHT EXIST, AND WHEN REWARDS MIGHT BE ESPECIALLY HIGH FOR THOSE WHO HAD PERSEVERED THROUGH RECESSION BY NOT ABANDONING ESSENTIAL PROJECTS TO DEVELOP ADDITIONAL MINERAL RESOURCES, SUCH AS COPPER AND NICKEL. MEANWHILE, PLANNED UNDP TWO MILLION DOLLAR FEASIBILITY STUDY, DUE TO BE COMPLETED BY END 1976, WOULD GIVE CONSORTIUM MEMBERS ADDITIONAL 18 MONTHS TO ASSESS FUTURE NICKEL MARKET PROSPECTS BEFORE HAVING TO REACH MAJOR INVESTMENT DECISIONS IN BURUNDI. MARK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NICKEL, AGREEMENTS, PROGRAMS (PROJECTS), INVESTMENTS, MINERALS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUJUMB00339
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750184-0986
From: BUJUMBURA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750514/aaaaamtc.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BUJUMBURA 0322
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by BoyleJA>; APPROVED <21 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FIRST MEETING SET FOR PROPOSED NICKEL CONSORTIUM
TAGS: EMIN, EINV, BY, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006